

ROUND ONE CONSULTATION – ISSUES ARISING

[This note records issues identified, and views expressed, by stakeholders present at the meeting. The Authority is yet to form any opinion on these issues and views. As appropriate, issues will be addressed in the Authority's reports.]

Scheme: Lower Lockyer Water Supply Scheme

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1.1 Ministerial Direction

- The Ministerial Direction focuses only on Seqwater's costs. The Authority should consider irrigators costs and industry viability.
- Increasing prices will mean that the Community Service Obligation (CSO) will be decreasing over time.

1.2 Regulatory Framework

- Interim Water Allocations (IWA) cannot be traded. A high fixed charge will impose high costs but irrigators have no opportunity to avoid this cost through trading. Irrigators may be forced to surrender their IWA to avoid high charges.
- Irrigators suggested that introducing permanently tradeable water allocations would increase water use as water could move towards its highest and best use. Economic activity would increase and customers would be able to adjust to respond to price signals.

1.3 Pricing Framework

Tariff Structures

- Irrigators argues that it is not appropriate to have a 100% fixed charge, as proposed by Seqwater, when there is no permanent trading.

Water Use

- It is difficult to forecast future water use as crop types are changing. Irrigators are moving from small crops to lucern which means past water use cannot be used to predict future water use.
- As the storages are currently full it is likely that water use in the next 1-2 years will be higher than the past average. Atkinson Dam could reduce from full to zero in 18 – 24 months.

1.4 Renewals Annuity

- The major renewal expenditure items presented in the Network Service Plan all relate to flood repair. The Authority should consider whether any insurance revenue has been received for these items.
- Irrigators queried the total flood damage costs and whether these costs have been included in the asset restoration reserve balances, including insurance revenue.

1.5 Operational Expenditure

Direct Operating Costs

- The Authority should review direct operational costs. \$729,000 is a very large amount to spend on direct operating activities when considering the tasks that are required
- There has been very little consultation in the last few years and irrigators would welcome more discussion with Seqwater.
- A lot of meters have been washed away but Seqwater staff are still coming to read the meters. The cost of this is inefficient and should be reduced.

Non-Direct Costs

- Non-direct costs are very high. The Lower Lockyer is an irrigation only scheme and should only be allocated non-direct costs that relate to irrigation.
- Irrigators questioned why insurance costs so high and whether the Lower Lockyer costs have increased due to the 2011 floods. How have these costs been allocated and is the method appropriate?